

**REPORT OF THE AUDIT OF THE  
HARLAN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Wanda Clem, Harlan County Clerk  
Members of the Harlan County Fiscal Court

The enclosed report prepared by Ross & Company, PLLC, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees of the County Clerk of Harlan County, Kentucky, for the year ended December 31, 2003.

We engaged Ross & Company, PLLC to perform the audit of this statement. We worked closely with the firm during our report review process; Ross & Company, PLLC evaluated the Harlan County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Public Accounts

Enclosure





**REPORT OF THE AUDIT OF THE  
HARLAN COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**

**ROSS & COMPANY, PLLC  
Certified Public Accountants  
800 Envoy Circle  
Louisville, KY  
Telephone (502) 499-9088  
Facsimile (502) 499-9132**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE HARLAN COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

Ross & Company, PLLC has completed the Harlan County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Excess fees decreased by \$11,470 from the prior year, resulting in excess fees of \$21,653 as of December 31, 2003. Revenues decreased by \$103,320 from the prior year and expenditures decreased by \$91,850.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities.





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The Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Wanda Clem, Harlan County Clerk  
Members of the Harlan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Harlan County, Kentucky, for the year ended December 31, 2003. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Wanda Clem, Harlan County Clerk  
Members of the Harlan County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Harlan County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
February 1, 2005

HARLAN COUNTY  
WANDA CLEM, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Fees For Services \$ 13,744

Fiscal Court 32,302

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 602,648

Usage Tax 1,590,587

Tangible Personal Property Tax 1,445,721

Licenses-

Fish and Game 3,642

Marriage 11,109

Occupational 27

Beer and Liquor 4,760

Handicap Placards 4,277

Deed Transfer Tax 28,228

Delinquent Tax 466,786 4,157,785

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts \$ 13,859

Real Estate Mortgages 37,355

Chattel Mortgages and Financing Statements 94,556

Powers of Attorney 2,280

All Other Recordings 31,876

Charges for Other Services-

Candidate Filing Fees 459

Copywork 13,196 193,581

Other:

Refunds and Overpayments \$ 20,146

Miscellaneous 899 21,045

Interest Earned 1,145

Total Revenues \$ 4,419,602

The accompanying notes are an integral part of this financial statement.

HARLAN COUNTY  
WANDA CLEM, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 470,066

Usage Tax 1,542,657

Tangible Personal Property Tax 568,372

Licenses, Taxes, and Fees-

Fish and Game 3,434

Delinquent Tax 42,889

Legal Process Tax 23,981 \$ 2,651,399

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 114,741

Delinquent Tax 101,797

Deed Transfer Tax 26,829 243,367

Payments to Other Districts:

Tangible Personal Property Tax \$ 682,420

Delinquent Tax 204,306 886,726

Payments to Sheriff

6,406

Payments to County Attorney

87,777

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries \$ 267,650

Employee Benefits-

Employer's Share Social Security 24,849

Employer's Share Retirement 23,347

Employer's Paid Health Insurance 28,740

Other Payroll Expenditures 231

Contracted Services-

Maintenance 35,072

Materials and Supplies-

Office Supplies 21,046

The accompanying notes are an integral part of this financial statement.

HARLAN COUNTY  
WANDA CLEM, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2003  
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Other Charges-

Conventions and Travel	\$	1,842	
Dues		950	
Postage		6,045	
Refunds		23,627	
Telephone		3,348	
Election Expenses		<u>2,400</u>	\$ 439,147

Debt Service:

Lease Purchases		<u>3,630</u>	
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Total Expenditures			\$ 4,318,452
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Net Revenues			\$ 101,150
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Less: Statutory Maximum			<u>72,861</u>
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Excess Fees			\$ 28,289
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Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>3,036</u>	<u>6,636</u>

Excess Fees Due County for 2003			\$ 21,653
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Payments to Fiscal Court - February 19, 2004			20,000
October 22, 2004			<u>1,653</u>

Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>
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The accompanying notes are an integral part of this financial statement.

HARLAN COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

Kentucky Revised Statute (KRS) 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2003

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



HARLAN COUNTY  
NOTES TO FINANCIAL STATEMENT  
For the Year Ended December 31, 2003  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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The Honorable Joseph A. Grieshop, Harlan County Judge/Executive  
Honorable Wanda Clem, Harlan County Clerk  
Members of the Harlan County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Harlan County Clerk for the year ended December 31, 2003, and have issued our report thereon dated February 1, 2005. This was a special report on the County Clerk's financial statement prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harlan County Clerk's financial statement for the year ended December 31, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

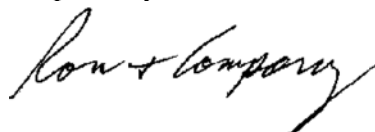
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harlan County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ross & Company".

Ross & Company, PLLC

Audit fieldwork completed -  
February 1, 2005

